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**OFFICE OF THE AUDITOR-GENERAL**

*Enhancing Accountability*

**REPORT**

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 12 APR 2023

DAY:

Wed

TYPED  
BY:

Deputy LOM  
Hon. Owen Baya

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**THE AUDITOR-GENERAL**

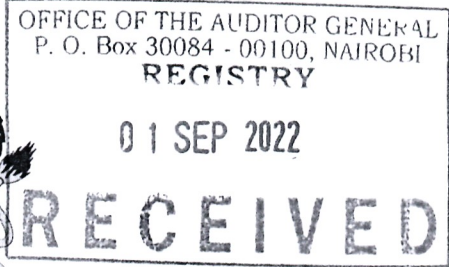
**ON**

**KAPCHORWA-SUAM-KITALE AND ELDORET  
BYPASS ROADS PROJECT (KENYA)**

**ID NO.P-Z1-DBO-183**

**FOR THE YEAR ENDED  
30 JUNE, 2022**

**KENYA NATIONAL HIGHWAYS AUTHORITY**



**MINISTRY OF TRANSPORT, INFRASTRUCTURE, HOUSING, URBAN DEVELOPMENT &  
PUBLIC WORKS**



**PROJECT NAME: MULTINATIONAL UGANDA –KENYA: KAPCHORWA –SUAM – KITALE &  
ELDORET TOWN BYPASS ROADS PROJECT**

**IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY**

**PROJECT GRANT/CREDIT NUMBER:  
AFRICAN DEVELOPMENT BANK (ADB) LOAN NO 2000200001052  
AFRICAN DEVELOPMENT FUND (ADF) LOAN NO 2100150037300**

**PROJECT NO P-ZI-DBO-183**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2022**



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## **1 PROJECT INFORMATION AND OVERALL PERFORMANCE**

### **1.1 Name and registered office**

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Project

#### **Objective:**

The African Development Bank Group (AfDB) approved USD 256.36 million of loans to the Governments of Kenya (USD 150.56 million) and Uganda (USD 105.7 million) for the upgrading of 118 km road section connecting the two countries as well as the construction of the 32 km Eldoret town bypass, in Kenya. Once completed in 2021, the project will contribute to improve the living standards of the 1.4 million people in the project zone of influence.

The construction of the Eldoret bypass (32km) will reduce traffic congestion in Eldoret Town, by avoiding crossing of the city centre. Thus, the average speed will increase from 26km/hr in the existing road to 42km/hr

**Address:** Barabara Plaza,  
Jomo Kenyatta International Airport (JKIA)  
Off Mazao Road (Opposite KCAA Headquarters)  
Nairobi Kenya

#### **Contacts:**

Director General  
Kenya National Highways Authority  
Po Box 49712-00100  
Nairobi  
Telephone: (254) 020 495000  
E-mail: dg@Kenha.co.ke  
Website: www.kenha.co.ke

### **1.2 Project Information**

Project Start Date:	23 <sup>rd</sup> February ,2018
Project End Date:	26 <sup>th</sup> April 2023
Project Engineer	Eng Daniel Cheronno
Project Sponsor:	African Development Bank (AfDB)

### 1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Transport, Infrastructure, Housing, Urban Development & Public Works
Project number	P-ZI-DBO-0183
Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <ul style="list-style-type: none"> <li>• To Connect Kenya and other Part of East &amp; Central African</li> <li>• Facilitate Trade and movement of people in East and Central African by improving the transit time</li> </ul>
Achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> <li>• Rehabilitation of already deteriorated road that is in poor condition to reduce transportation cost and transit time</li> </ul> <p>Involving the local communities and community based organisations in monitoring conditions along the road, including preservation of the road signs. This will assist in dealing with environmental issues and the guarding against damages and the theft to road signs and road Infrastructure</p> <p>The upgrading of the 118km road connecting Kapchorwa (Uganda) to Kitale (Kenya) will provide</p> <ol style="list-style-type: none"> <li>a) An all-weather access for citizens, farmers and traders.</li> <li>b) The project also includes a construction of a One Stop Border Post in Suam to facilitate trade between the two countries, travellers and transport operators.</li> <li>c) The upgrading of the road will reduce the travel time in Uganda (Kapchorwa-Suam) from 4hrs to 1.5hrs and in Kenya (Suam-Kitale) from 1.5hrs to 45 minutes.</li> <li>d) The project area is very fertile and has high agricultural potential and the upgrading of the road from gravel to bitumen standard will facilitate the supply of farm inputs and evacuation of produce to major market centers.</li> </ol>
Other important background information of the project	The AfDB and ADF loans will cover 88% of the Kenya project costs whereas the Government of Kenya contribution will be 12% of the project cost.

Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: <ul style="list-style-type: none"> <li>• Reducing Transport cost and travel time between Nairobi and Kampala.</li> <li>• Improvement of transportation of farm inputs and produces to and from the project area</li> <li>• Improvement of economic and living standard of people in towns along the corridor</li> </ul>
Project duration	

**1.4 Bankers**

Cooperative Bank of Kenya Ltd  
Upper Hill Branch, Nairobi  
Account Number 01141160979900

National Bank of Kenya  
Hill Branch  
Account Number 01001032733200

**1.5 Auditors**

Auditor General  
Office of The Auditor General  
P.O Box 30084-0100  
Nairobi

**1.6 Roles and Responsibilities**

List of the people who are working on the project.

<b>Names</b>	<b>Title designation</b>	<b>Key qualification</b>	<b>Responsibilities</b>
Eng. Charles Obuon	Director Development	Qualified	Oversight
Eng. Daniel Cherono	Deputy Director	Qualified	Project Co-Ordinator
Mr W Nyatwanga	Deputy Director	Qualified	Safeguard Specialist
Mr. Chanje Kera	Deputy Director	Qualified	Financial Specialist
Mr R Kilel	Assistant Director	Qualified	Procurement Specialist

### 1.7 Funding summary

The Project has an approved budget of USD 130,000,000 equivalent to Kshs 8,858,656,800 and Kshs 5,185,555,200 as indicated below:

Below is the funding summary:

#### A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30th June 2022)		Undrawn Balance to date (30th June 2022)	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i)Loan</b>						
African Development Bank (ADB)	82,000,000	8,858,656,800	36,090,019	3,898,891,334	45,909,981	4,959,765,466
African Development Bank (ADF)	48,000,000	5,185,555,200	31,808,489	3,436,347,403	16,191,511	1,749,207,797
<b>(ii)Counterpart funds</b>						
Government of Kenya	-	4,754,413,325	-	4,754,413,325	-	-
<b>Total</b>	<b>130,000,000</b>	<b>18,798,625,325</b>	<b>67,898,508</b>	<b>12,089,652,062</b>	<b>62,101,492</b>	<b>6,708,973,263</b>

#### B. Application of Funds

Application of funds	Amount received to date - (30th June 2022)		Cumulative Amount paid to date - (30th June 2022)		Unutilised balance to date - (30th June 2022)	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i)Loan</b>						
African Development Bank (ADB)	36,090,019	3,898,891,334	36,090,019	3,898,891,334	-	-
African Development Bank (ADF)	31,808,489	3,436,347,403	31,808,489	3,436,347,403	-	-
<b>(ii)Counterpart funds</b>						
Government of Kenya	-	4,754,413,325	-	4,750,837,124	-	3,576,201
<b>Total</b>	<b>67,898,508</b>	<b>12,089,652,062</b>	<b>67,898,508</b>	<b>12,086,075,861</b>	<b>-</b>	<b>3,576,201</b>

**1.8 Summary of Overall Project Performance:**

Budget performance against actual amounts for current year and for cumulative to-date,

<b>Current Year</b>		
<b>Budget 2021/2022</b>	<b>Actual 2021/2022</b>	<b>Performance %</b>
2,835,000,000	2,089,417,912	74%

The status report is as follows;

PROJECT DESCRIPTION		PROGRESS REPORTED TO DATE
<b>1. Lot1- Construction of Eldoret Town Bypass Road Project (88 km) road section</b> Contract type: Works Contractor: M/S China Wu Yi Co Ltd Contract Signed: 1 <sup>st</sup> September, 2017 Commencement Date: 12 <sup>th</sup> February, 2018 Completion Date: 13 <sup>th</sup> December, 2021 Contract amount: KES. 5,079,517,696  Consultant: Abdul Mullick Associates Ltd in association with MAX and Partners and TIMCON Associates Inc.  Contract Amount: Kshs. 318,835,894.00	Physical progress,	93.45%
	Amount certified	KES. 4,928,574,206.46
	Amount paid	KES. 4,340,201,240.31
	Time lapsed	52.5 Months
<b>2. Project Name: Upgrading of Kitale – Endebess - Suam (C45)</b> Contract type: Works Contractor: China State Construction Engineering Corporation Ltd Contract Signed: 17 <sup>th</sup> August, 2017 Commencement Date: 26 <sup>th</sup> February, 2018 Completion Date: 25 <sup>th</sup> February, 2022 Contract amount: KES. 4,474,991,402.73  Consultant: SARI Consulting, Consulint SRL and Ochieng Abuodha & Associates Contract Amount: USD. 1,235,950.95 KES. 210,165,831.00	Physical progress,	80.50 %
	Amount certified	KES 1,988,265,262.84
	Amount paid	KES. 2,439,470,195.92
	Time lapsed	52.3 Months

### 1.9 Summary of Project Compliance:

There is no significant Cases of non-Compliance with applicable laws and regulations and essential external financing agreements/Covenants which has been reported

## **2 STATEMENT OF PERFORMANCE AGAINST PROJECT’S PREDETERMINED OBJECTIVES**

### **Introduction**

The Project is a multinational operation that provides an important link between Uganda and Kenya by connecting through the border post of Suam. The Uganda side of the project road is Kapchorwa-Suam and the Kenya side of the project road are Suam-Kitale and Eldoret Bypass. The project road supports the regional integration objective of member countries of East African Community (EAC) and Great Lakes Region, especially Uganda and Kenya by connecting to Suam and further linking with Democratic Republic of Congo (DRC) and South Sudan. This is a transformative project that contributes to socio-economic development, poverty reduction and regional integration in eastern Uganda and western Kenya

The key development objectives of the project are to:

- a) The project is a regional road traversing via Suam border and supports regional and national social-economic growth strategies and improves the traffic congestion in Eldoret Town
- b) The improvement of the road will promote the effort of the Governments in poverty reduction through better road infrastructure in the two countries by providing all weather access for the supply of farm inputs and evacuation of produce to major market centres, thus improving the level of service and efficiency of the road network and reducing transport costs.
- c) It will also support regional integration, economic co-operation and foster transport linkage with Uganda, Kenya, DRC and South Sudan.

Below we provide the progress on attaining the stated objectives:

<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Contribute to the improvement of economic and social welfare of citizens of Uganda and Kenya	Reduced transport costs	GDP per Capita	Uganda USD1099, an increase of 39% and Kenya, USD 2189, an increase of 38% in 20
Enhance regional trade between Uganda and Kenya	Reduced Congestion	Trade volume in USD using Suam border	To increase to USD4.92million worth of trade (Kenya with Uganda) by 2025

**Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads  
Annual Report and Financial Statements for the financial year ended June 30, 2022**

<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Costs and travel time for specific types of vehicles and trips	Reduced transport costs	(a) Average passenger fare /person on Kapchorwa-Suam and Suam-Kitale.  (b) Average vehicle travel time on Kapchorwa-Suam and Suam-Kitale.	a) In Uganda, there was a reduction of 29% per person and in Kenya, there was a reduction of 25% per person in year 2021. b) In Uganda there was Reduction of travel time by 63% to 1.5hrs and in Kenya, by 50% to 45 minutes in year 2021.
Road accidents	Improved rate of survival out of vehicle accidents	Rate of survival out of accidents.	i) In Uganda, the rate of fatalities per 10,000 vehicles had reduced by 30%. ii) In Kenya, the rate of fatalities per 10,000 vehicles had reduced by 20%.

### **3 ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

#### **1. Sustainability strategy and profile**

Sustainable Development Goals (SDGs) 2015-2030 provides a plan of action for the people and prosperity. Five out of the seventeen goals are pertinent to management of projects being undertaken by the Authority. These are being addressed through the following initiatives;

- a) *Good health and well-being (SDG 3)*: The Authority strives to undertake Road Safety Audits to identify accident black spots, implement intervention measures and provide road safety education to reduce accidents;
- b) *Gender Equality (SDG 5)*: The Authority encourages mainstreaming of gender equality in project and programmes by incorporating compliance to one third gender rule in procurement and recruitment;
- c) *Industry, innovation and infrastructure (SDG 9)*: The Authority develops quality, reliable, sustainable and resilient infrastructure including regional and trans-border infrastructure to support economic development and human wellbeing with a focus on affordable and equitable access for all;
- d) *Sustainable cities and communities (SDG 11)*: The Authority endeavours to extend the paved road network to hitherto underserved areas in the region to improve nationwide access to high speed and all – weather connectivity; and
- e) *Climate action (SDG 13)*: The Authority endeavours to combat negative impacts of road development through environmental mitigation, climate change measures and compliance with National Environment Management Authority (NEMA) requirements in all development projects

#### **2. Environmental performance**

The Authority is working towards ensuring environmental sustainability in projects by undertaking tree planting exercises, implementation of road beautification programs, enforce reinstatement of quarries and borrow pits after construction works, undertakes regular Environmental Impact Assessment (EIA) Audits, carries out M&E on Environment and Social Management Plan (ESMPs) as well as Environmental Social Impact Assessment (ESIA) on projects.

#### **3. Employee welfare**

In all its staff appointments, the Authority takes deliberate actions to embrace Equal Employment Opportunity policies, gender mainstreaming, addresses concerns around Persons Living with Disabilities (PWDs) and takes affirmative action in line with prevailing Government Policy guidelines. The Authority prioritizes training to develop technical capacity of staff in the fields of Value Engineering, Project Financing, Project, Contract Management, Performance Based Maintenance and Safety.

## **Sustainability strategy and profile (Continued)**

### **4. Market place practices**

The Authority strives to ensure responsible competition practices through undertaking annual governance audits in projects, monitoring the implementation of policies and further promotes ethical conduct in projects. The Authority equally sensitizes staff on corruption and integrity.

The Authority undertakes to be actively involved in the negotiations during budget sector hearings in order to increase budgetary allocations for projects thus honouring contracts by paying its liabilities on time.

### **5. Community Engagements**

During the implementation of the Project, the Authority is committed to remaining a responsible corporate citizen by being accountable for its actions through engaging in Public Participation. The Project's goal in terms of community engagement is to ensure that the projects foster long-term relationships with stakeholders and communities around the project. The aim is not just to build roads that foster development but to ensure collaboration with the local communities to achieve sustainable development. The project staff is also encouraged to give back to society by participating in the Authority's corporate social responsibility projects.

The Contractor has been involved in various CSR activities geared towards providing the local residents through construction of water kiosks along the project road, improvement of access roads and enhancing learning and playing environment in schools along the project road. To enhance social safeguards in projects, the Authority undertakes Resettlement Action Plan (RAP) studies and implements its recommendations, carries out Social Impact Assessments (SIA), undertakes gender mainstreaming and conduct stakeholders' forum to sensitize the public in several cross cutting issues.

#### **4 STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The Director General and the Project Implementation Team Leader for Multinational Uganda – Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Project & Eldoret Town Bypass Project are responsible for the preparation and presentation of the Project’s financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

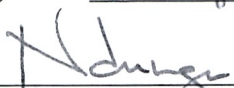
The Director General and the Project Implementation Team Leader Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Project accept responsibility for the Project’s financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.


The Director General and the Project Implementation Team Leader for Multinational Uganda – Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Project are of the opinion that the Project’s financial statements give a true and fair view of the state of Project’s transactions during the financial year ended June 30, 2022 and of the Project’s financial position as at that date. The Director General and the Project Implementation Team Leader for Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.


The Director General and the Project Implementation Team Leader for Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

#### **Approval of the Project financial statements**

The Project financial statements were approved by the Director General and the Project Implementation Team Leader for Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Project on 30 AUG 2022 2022 and signed by them.

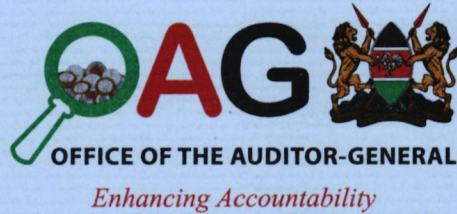
  
\_\_\_\_\_  
**Eng. Kungu Ndungu**  
Director General

  
\_\_\_\_\_  
**Eng. Charles Obuon**  
Director -Development

  
\_\_\_\_\_  
**CPA Chanje Kera**  
Deputy Director (F&A)  
ICPAK No.8279

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KAPCHORWA-SUAM-KITALE AND ELDORET BYPASS ROADS PROJECT (KENYA) ID NO.P-Z1-DBO-183 FOR THE YEAR ENDED 30 JUNE, 2022 – KENYA NATIONAL HIGHWAYS AUTHORITY**

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### **PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kapchorwa-Suam-Kitale and Eldoret Bypass Roads Project set out on pages 1 to 22, which comprise of the statement of financial assets as at 30 June, 2022, and the statement of receipts and payments,

*Report of the Auditor-General on Kapchorwa-Suam-Kitale and Eldoret Bypass Roads Project (Kenya) ID No. P-Z1-DBO-183 for the year ended 30 June, 2022 – Kenya National Highways Authority*

statement of cash flows and the statement of comparison of budget and actual amounts and the special account statement for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kapchorwa-Suam-Kitale and Eldoret Bypass Roads Project as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Loan Agreements Nos. 2100150037300 and 200200001052 dated 19 May, 2017 between African Development Fund (ADF) and African Development Bank (AfDB) respectively and the Republic of Kenya and the Public Finance Management Act, 2012.

## **Basis for Qualified Opinion**

### **1. Inaccuracies in the Financial Statements**

#### **1.1 Transfers from Government Entities**

The statement of receipts and payments reflects transfers from Government entities of Kshs.124,011,058 for the year ended 30 June, 2022. However, the statement of comparison of budget and actual amounts reflects an actual transfer from Government entities amount of Kshs.132,973,110 resulting to unexplained and unreconciled variance of Kshs.8,962,052.

In the circumstances, the accuracy of the transfer from Government entities amount of Kshs.124,011,058 could not be confirmed.

#### **1.2 Understated Pending Bills**

Note 12.1 to the financial statements reflects pending accounts payable balance of Kshs.536,860,151. The balance includes an amount of Kshs.495,142,419 for construction of civil works. However, Annex 3 to the financial statements is the summary of the fixed assets register. The correct annex to support the pending accounts payable should be Annex 2A to the financial statements.

Further, the status report at page ix of the annual report and financial statements indicates that total amount paid to the contractor under Lot 1 – construction of Eldoret town by-pass road project as at 30 June, 2022 is Kshs.4,340,201,240 against a certified amount of Kshs.4,928,574,206 resulting in pending accounts payable of Kshs.588,372,966. However, review of the analysis of the pending accounts payable provided revealed that pending bills for the Lot 1 contract as at 30 June, 2022 was Kshs.307,597,421 thereby resulting into unexplained variance of Kshs.280,775,545.

In addition, under Lot 2 – upgrading of Kitale-Endebess-Suam (C45), the contractor had been paid a total of Kshs.2,439,470,196 as at 30 June, 2022, against the certified amount of Kshs.1,988,265,262 resulting to pending bills of Kshs.451,204,933. However, review

of the analysis of the pending accounts payable provided revealed that pending bills for the Lot 2 contract as at 30 June, 2022 was Kshs.263,659,940 thereby resulting to unexplained variance of Kshs.187,544,993.

This therefore means that the total pending bills amount as per the status report totalled to Kshs.468,320,538 which differs with the balance of pending bills indicated in Note 12.1 to the financial statements of Kshs.495,142,419 by an unexplained variance of Kshs.26,821,881.

In the circumstances, the accuracy and completeness of the pending accounts payable balance of Kshs.536,860,151 could not be confirmed.

### **1.3 Deficit for the Year**

The statement of receipts and payments reflects a deficit for the year of Kshs.8,401,552 while the statement of financial assets indicates a nil deficit amount thereby resulting in an unexplained variance of Kshs.8,401,552 between the two statements.

In the circumstances, the accuracy of the financial statements could not be confirmed.

## **2. Failure to Maintain a Project Cashbook and Account**

The statement of receipts and payments indicates an amount of Kshs.124,011,058 received by the Project as transfer from Government entities through the parent Ministry (State Department for Infrastructure). However, the receipts to the Project could not be confirmed to the bank statements and the Project cashbook since the Authority does not maintain a project specific bank account and cashbook.

In the circumstances, the accuracy and completeness of the transfer from Government entities of Kshs.124,011,058 could not be confirmed.

## **3. Irregular Re-Allocation of Expenditure**

The statement of receipts and payments reflects purchase of goods and services amount of Kshs.33,049,633 as disclosed in Note 3 to the financial statements, which includes a printing, advertising and information supplies amount of Kshs.31,261,083. However, review of the payment schedules provided revealed that the amount included expenditures of Kshs.13,641,672 and Kshs.15,687,361 all totalling Kshs.29,329,033 incurred on domestic travel and subsistence and consultancy respectively and had therefore irregularly been included and disclosed as printing, advertising and information supplies. Management did not provide any authority or approval to support the reallocation from the expenditure item to domestic travel and subsistence and consultancy expenditures.

In the circumstances, the regularity of the use of goods and services expenditure of Kshs.29,329,033 could not be confirmed.

## **4. Unsupported Bank Balance**

Note 5A to the financial statements reflects retention balance held in a local bank of Kshs.3,576,201 as at 30 June, 2022. However, bank reconciliation statement and bank confirmation certificate were not provided for audit verification.

In the circumstances, the accuracy and completeness of retention bank balance of Kshs.3,576,201 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kapchorwa-Suam-Kitale and Eldoret Bypass Roads Project (Kenya) Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

### **Other Matter**

#### **1. Pending Bills**

Note 12.1 to the financial statements reflects pending accounts payable balance of Kshs.536,860,151 which includes Kshs.495,142,419 for construction of civil works and Kshs.41,717,732 for supply of services. The Note also indicates an opening balance of Kshs.883,093,393 under land compensation and a payment during the year under review of Kshs.883,093,393 and a nil closing balance. However, Management did not provide evidence to support the payment of Kshs.883,093,393. Further, the Project risks incurring additional cost in terms of interest due to non-adherence to the contractual terms and delay in payments.

Failure to clear pending bills in the year to which they relate distorts the budget of the following year as they constitute a first charge on that budget.

#### **2. Lack of Project Detailed Budget**

The statement of comparison of budget and actual amounts reflects approved expenditure budget of Kshs.2,835,000,000 and actual total expenditure of Kshs.2,089,417,912. However, Management did not provide an itemized budget showing the detailed budget items for which the expenditure was intended.

In the circumstances, it was not possible to conduct budget performance analysis on budgeted and actual expenditure.

#### **3. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.2,835,000,000 and Kshs.2,081,016,360 respectively resulting to an under-funding of Kshs.753,983,640 or 27% of the budget. Similarly, the project spent Kshs.2,089,417,912 against an approved budget of Kshs.2,835,000,000 resulting to an under-expenditure of Kshs.745,582,088 or 26% of the budget.

The underfunding and underperformance affected the planned activities of the Project and may have impacted negatively on service delivery to the public.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### Basis for Conclusion

#### Delayed Project Implementation - Lot 2: Upgrading of Kitale-Endebess-Suam(C45) Road Project

The contract for the upgrading of Kitale-Endebess-Suam Road was awarded to a contractor on 17 August, 2017 and the commencement date of the contract was 26 February, 2018 with an expected completion date of 25 February, 2021 hence the contract period was forty-eight (48) months. The contract sum was set at Kshs.4,474,991,403 and the amount certified for payment as at 30 June, 2022 was Kshs.2,783,819,290 and actual amount paid was Kshs.2,439,470,196.

Further, review of the June, 2022 progress report provided revealed that the weighted physical progress stood at 80% compared to 52 months or 108% of the contract period elapsed. This implies the contractor is working behind schedule hence the slow progress of the work. Similarly, Management did not provide evidence to confirm whether the contract period for this project has been extended to a further date given that the original contract period was expected to have lapsed on 25 August, 2022 which is an indicator that the contractor might be working without a valid contract.

In addition, review of records revealed that under project risks and constraints, it was indicated that there was slow relocation of utilities within the road corridors, which included delays in relocating sewer and water lines and Kenya Power and Lighting Company Limited electricity poles.

In the circumstances, the delay in the project completion may result in additional costs due to cost escalation as a result of inflationary pressures.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by African Development Fund (ADF) and African Development Bank (AfDB), I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and
- iii. The Project's financial statements are in agreement with the accounting records and returns.

### Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Project or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the

activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Project's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**08 December, 2022**

5 STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2022

NOTES	2021/22			2020/21			Cumulative to date
	Receipts & Payments Controlled by the Entity	Receipts & Payments made by the Third Party	Total	Receipts & Payments Controlled by the Entity	Receipts & Payments made by the Third Party	Total	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>RECEIPTS</b>							
1	124,011,058	-	124,011,058	413,604,524	-	413,604,524	4,754,413,325
2	-	1,957,005,302	1,957,005,302	-	1,148,348,385	1,148,348,385	7,335,238,737
<b>Total receipts</b>	<b>124,011,058</b>	<b>1,957,005,302</b>	<b>2,081,016,360</b>	<b>413,604,524</b>	<b>1,148,348,385</b>	<b>1,561,952,909</b>	<b>12,089,652,062</b>
<b>PAYMENTS</b>							
3	31,261,083	1,788,550	33,049,633	9,975,485	473,520	10,449,005	120,937,997
4	101,151,527	1,955,216,752	2,056,368,279	401,700,392	1,147,874,865	1,549,575,257	11,965,137,864
<b>TOTAL PAYMENTS</b>	<b>132,412,610</b>	<b>1,957,005,302</b>	<b>2,089,417,912</b>	<b>411,675,877</b>	<b>1,148,348,385</b>	<b>1,560,024,262</b>	<b>12,086,075,861</b>
<b>SURPLUS/DEFICIT FOR THE YEAR</b>	<b>(8,401,552)</b>	<b>-</b>	<b>(8,401,552)</b>	<b>1,928,647</b>	<b>-</b>	<b>1,928,647</b>	<b>3,576,201</b>

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.

Eng. Kungu Ndungu  
Director General

Eng. Charles Obuon  
Director –Development

CPA Chanje Kera  
Deputy Director (F&A)  
ICPAK No.8279

30 AUG 2022  
Date

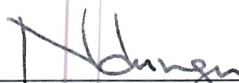
30 AUG 2022  
Date


30 AUG 2022  
Date


**7 STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2022**

	Note	2021/22	2020/21
		Kshs	Kshs
<b>Financial Assets</b>			
Bank Balances	5	3,576,201	11,977,753
Cash Balances			
<b>Total Cash and Cash equivalents</b>		<b>3,576,201</b>	<b>11,977,753</b>
<b>Financial Liabilities</b>			
Payables - Retentions	6	3,576,201	11,977,753
<b>Net Assets</b>		<b>3,576,201</b>	<b>11,977,753</b>
<b>Represented By:</b>			
Fund balance b/fwd			
Surplus/(Deficit) for the year			
<b>Net Financial Position</b>			

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30 AUG 2022 2022 and signed by:

  
 Eng. Kungu Ndungu  
 Director General

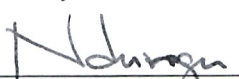
  
 Eng. Charles Obuon  
 Director -Development


  
 CPA Chanje Kera  
 Deputy Director (F&A)  
 ICPAK No.8279


**8 STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2022**

		2021/22	2020/21
<b>Receipts</b>			
Transfer from Government entities	1	124,011,058	413,604,524
Proceeds from domestic and foreign grants			
Miscellaneous Receipts			
<b>Total Receipts</b>		<b>124,011,058</b>	<b>413,604,524</b>
<b>Payments</b>			
Purchase of goods and services	3	(33,049,633)	(10,449,005)
Miscellaneous Payments			
<b>Total Payments</b>		<b>(33,049,633)</b>	<b>(10,449,005)</b>
<b>Cash flows from investing activities</b>			
Acquisition of Assets	4	(2,056,928,779)	(1,549,575,257)
<b>Net cash flows from investing activities</b>		<b>(2,056,928,779)</b>	<b>(1,549,575,257)</b>
<b>Cashflow from financing activities</b>			
Proceeds from Foreign Borrowings		1,957,005,302	1,148,348,385
<b>Net cash flow from financing activities</b>		<b>1,957,005,302</b>	<b>1,148,348,385</b>
<b>Net increase in cash and cash equivalent</b>		<b>(8,401,552)</b>	<b>1,928,647</b>
<b>Cash and cash equivalent at beginning of the year</b>		<b>11,977,753</b>	<b>10,049,106</b>
<b>Cash and cash equivalent at end of the year</b>		<b>3,576,201</b>	<b>11,977,753</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved 30 AUG 2022 2022 and signed by:

  
**Eng. Kungu Ndungu**  
 Director General

  
**Eng. Charles Obuon**  
 Director -Development

  
**CPA Chanje Kera**  
 Deputy Director (F&A)  
 ICPAK No.8279


*Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report and Financial Statements for the financial year ended June 30, 2022*


**9 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>Receipts</b>						
Transfer from Government entities	300,000,000	(235,000,000)	65,000,000	132,973,110	(67,973,110)	205%
Proceeds from borrowings	3,370,000,000	(600,000,000)	2,770,000,000	1,957,005,302	812,994,698	71%
<b>Total Receipts</b>	<b>3,670,000,000</b>	<b>(835,000,000)</b>	<b>2,835,000,000</b>	<b>2,089,978,412</b>	<b>745,021,588</b>	<b>74%</b>
<b>Payments</b>						
Goods & Services				33,049,633		
Acquisition of Non Financial Assets	3,670,000,000	(835,000,000)	2,835,000,000	2,056,928,779	745,582,088	74%
<b>Total Payments</b>	<b>3,670,000,000</b>	<b>(835,000,000)</b>	<b>2,835,000,000</b>	<b>2,089,417,912</b>	<b>745,582,088</b>	<b>74%</b>

Note: The significant budget utilisation/performance differences in the last column are explained in Annex 1 to these financial statements.

  
**Eng. Kungu Ndungu**  
 Director General

  
**Eng. Charles Obuon**  
 Director -Development

  
**CPA Chanje Kera**  
 Deputy Director (F&A)  
 ICPAK No.8279

30 AUG 2022

Date

30 AUG 2022

Date

30 AUG 2022

Date

## **10 SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements are set out below:

### **10.1 Statement of compliance and basis of preparation**

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

The accounting policies adopted have been consistently applied to all the years presented.

### **10.2 Reporting entity**

The financial statements are for the Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Project & Eldoret Town Bypass Project under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

### **10.3 Reporting currency**

The financial statements are presented in Kenya Shillings (KShs), which is the functional and reporting currency of the Project and all values are rounded to the nearest Kenya Shilling.

### **10.4 Recognition of receipts**

The Project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received by the Government.

#### **i) Transfers from the Exchequer**

Transfer from Exchequer is be recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

#### **ii) External Assistance**

External assistance is received through grants and loans from multilateral and bilateral development partners.

### **Significant Accounting Policies (Continued)**

#### **iii) Other receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the financial statements the time associated cash is received.

#### **iv) Donations and grants**

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

#### **v) Proceeds from borrowing**

Borrowing includes Treasury bill, treasury bonds, corporate bonds, sovereign bonds and external loans acquired by the Project or any other debt the Project may take on will be treated on cash basis and recognized as a receipt during the year they were received.

#### **vi) Undrawn external assistance**

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary

### **10.5 Recognition of payments**

The Project recognises all payments when the event occurs, and the related cash has actually been paid out by the Project.

#### **(i) Compensation of employees**

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

#### **(ii) Use of goods and services**

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. If not paid for during the period where goods/services are consumed, they shall be disclosed as pending bills.

## **Significant Accounting Policies (Continued)**

### **(iii) Interest on borrowing**

Borrowing costs that include interest are recognized as payment in the period in which they incurred and paid for.

### **(iv) Repayment of borrowing (principal amount)**

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.

### **(v) Acquisition of fixed assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

## **10.6 In-kind donations**

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

## **10.7 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

## **Significant Accounting Policies (Continued)**

### **10.8 Restriction on cash**

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits.

### **Imprests and Advances**

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

### **10.10 Contingent Liabilities**

A contingent liability is:

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

A present obligation that arises from past events but is not recognised because:

It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or

The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Annex 5 of this financial statement is a register of contingent liabilities in the year.

### **10.11 Contingent Assets**

The Eastern Africa Regional, Transport, Trade & Development Facilitation Project does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Eastern Africa Regional, Transport, Trade & Development Facilitation Project in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

## **Significant Accounting Policies (Continued)**

### **10.12 Pending bills**

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as ‘memorandum’ or ‘off-balance’ items to provide a sense of the overall net cash position of the Project at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

### **10.13 Budget**

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project’s budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation.

A high-level assessment of the Project’s actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

### **10.14 Third party payments**

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties column in the statement of receipts and payments.

During the year Kshs 1.95 billion being loan disbursements were received in form of direct payments from third parties.

### **10.15 Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

**Significant Accounting Policies (Continued)**

**10.16 Comparative figures**

Where necessary comparative figures for the previous financial year/period have been amended or reconfigured to conform to the required changes in financial statement presentation.

**10.17 Subsequent events**

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2022.

**10.18 Prior Period Adjustments**

Prior period Adjustments relate to errors and other adjustments noted arising from previous year(s). There are no prior year adjustments for the financial year under review.

## 11 NOTES TO THE FINANCIAL STATEMENTS

### 1. Transfers from Government entities

	2021/2022	2020/21	Cumulative Todate
	Kshs	Kshs	
Counterpart funds Quarter 1	37,040,582	20,178,953	567,742,541
Counterpart funds Quarter 2	82,098,784	382,297,623	914,248,184
Counterpart funds Quarter 3	4,871,692	6,789,795	746,163,609
Counterpart funds Quarter 4	-	4,338,153	2,526,258,991
	<b>124,011,058</b>	<b>413,604,524</b>	<b>4,754,413,325</b>

### 2. Proceeds from Domestic and Foreign Grants

During the 12 months to 30 June 2022 we received funding from Development Partners in form of loans negotiated by the National Treasury as detailed in the table below

Name of Donor	Amount in loan currency	Loans received in cash	Loans received as direct payment	Total amount in Kshs	Total amount in Kshs
				2021/2022	2020/21
	USD	Kshs	Kshs	Kshs	Kshs
Loans Received from Bilateral Donors (Foreign Governments)					
African Development Bank	8,947,515	-	965,884,293	965,884,293	586,576,767
African Development Fund	9,181,297	-	991,121,009	991,121,009	561,771,618
<b>Total</b>	<b>18,128,812</b>		<b>1,957,005,302</b>	<b>1,957,005,302</b>	<b>1,148,348,385</b>

**Notes to the Financial Statements (Continued)**

**3. Purchase of Goods & Services**

	2021/22			2020/21	Cumulative to-date
	Receipts & Payments Controlled by the Entity	Receipts & Payments made by the Third Party	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Domestic travel and subsistence	-	-	-	8,695,965	86,135,324
Training expenses	-	1,788,550	1,788,550	473,520	2,262,070
Printing, advertising and information supplies	31,261,083	-	31,261,083	1,279,520	32,540,603
<b>Total</b>	<b>31,261,083</b>	<b>1,788,550</b>	<b>33,049,633</b>	<b>10,449,005</b>	<b>120,937,997</b>

**4. Acquisition of Non-Financial Assets**

	2021/22			2020/21	Cumulative to-date
	Payments made by the Entity	Payments Made by Third Party	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Research, studies, project preparation, design & supervision	22,004,423	144,647,481	166,651,904	174,310,884	788,900,021
Rehabilitation of Roads	79,147,104	1,810,569,271	1,889,716,375	1,119,566,681	7,415,484,852
Acquisition of land	-	-	-	255,697,692	3,760,752,991
<b>Total</b>	<b>101,151,527</b>	<b>1,955,216,752</b>	<b>2,056,368,279</b>	<b>1,549,575,257</b>	<b>11,965,137,864</b>

**5. Cash and Cash equivalents**

	2021/22	2020/21
	Kshs	Kshs
Bank accounts (Note 5A)	3,576,201	11,977,753
	<b>3,576,201</b>	<b>11,977,753</b>

**Notes to the Financial Statements (Continued)**

**5A Bank Accounts**

	2021/22	2020/21
	KShs	KShs
<b>Local Currency Accounts</b>		
National Bank of Kenya – Retention [A/c No 01001-327332-00]	3,576,201	11,977,753
Co-operative Bank of Kenya - GOK [A/c No 01001-327332-00]	-	-
<b>Total bank account balances</b>	<b>3,576,201</b>	<b>11,977,753</b>

**6. Accounts Payable**

Description	2021/22	2020/21
	Kshs	Kshs
Retention - Payments controlled by the entity	3,576,201	11,977,753
<b>Total</b>	<b>3,576,201</b>	<b>11,977,753</b>

**7. Changes in Accounts Payable-Retentions Controlled by The Entity**

Description of the error	2021-2022	2020-2021
	KShs	KShs
Deposit and Retentions as at 1 <sup>st</sup> July	11,977,753	10,049,106
Deposit and Retentions as at 30th June	8,962,052	11,977,753
<b>Change in Payables</b>	<b>(8,401,552))</b>	<b>1,928,647</b>

## 12. OTHER IMPORTANT DISCLOSURES

### 1. Pending Accounts Payable (Annex 3)

	Balance b/f FY 2021/2022	Additions for the period	Paid during the year	Balance c/f FY 2021/2022
Description	Kshs	Kshs	Kshs	Kshs
Construction of Civil Works	85,023,664	2,466,487,033	2,056,368,279	495,142,419
Land Compensation	883,093,393	(883,093,393)	-	-
Supply of services	31,864,615	42,902,751	33,049,633	41,717,732
<b>Total</b>	<b>999,981,672</b>	<b>1,626,296,391</b>	<b>2,089,417,912</b>	<b>536,860,151</b>

### 2. Accounts Payable

Description	2021-2022	2020-2021
	Kshs	Kshs
Retention - Payments made by third party	283,739,569	363,809,002
<b>Total</b>	<b>283,739,569</b>	<b>363,809,002</b>

### 3. Changes in Accounts Payable

#### Retentions – Payments Made by third Party

	2021-2022	2020-2021
	KShs	KShs
Deposit and Retentions as at 1 <sup>st</sup> July	363,809,002	252,781,303
Deposit and Retentions as at 30th June	283,739,569	363,809,002
<b>Change in Payables</b>	<b>(80,069,433)</b>	<b>111,027,699</b>

### 4. External assistance

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
External assistance received as loans	1,957,005,302	1,148,348,385
<b>Total</b>	<b>1,957,005,302</b>	<b>1,148,348,385</b>

**a) External assistance relating loans and grants**

	<b>FY 2021/2022</b>	<b>FY 2020/2021</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
External assistance received as loans	1,957,005,302	1,148,348,385
<b>Total</b>	<b>1,957,005,302</b>	<b>1,148,348,385</b>

**b) Undrawn external assistance**

	<b>Purpose for which the undrawn external assistance may be used</b>	<b>FY 2021/2022</b>	<b>FY 2020/2021</b>
<b>Description</b>		<b>Kshs</b>	<b>Kshs</b>
Undrawn external assistance - loans		6,708,973,263	8,665,978,565
<b>Total</b>		<b>6,708,973,263</b>	<b>8,665,978,565</b>

**c) Classes of providers of external assistance**

	<b>FY 2021/2022</b>	<b>FY 2020/2021</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Multilateral donors	1,957,005,302	1,148,348,385
<b>Total</b>	<b>1,957,005,302</b>	<b>1,148,348,385</b>

**d) Purpose and use of external assistance**

<b>Payments Made by Third Parties</b>	<b>FY 2021/2022</b>	<b>FY 2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Acquisition of Assets	1,957,005,302	1,148,348,385
<b>TOTAL</b>	<b>1,957,005,302</b>	<b>1,148,348,385</b>

**e) External Assistance paid by Third Parties on behalf of the Entity by Source**

	FY 2021/2022	FY 2020/2021
Description	Ksh s	Ksh s
Multilateral donors	1,957,005,302	1,148,348,385
<b>Total</b>	<b>1,957,005,302</b>	<b>1,148,348,385</b>

**13. PROGRESSES ON FOLLOW UP OF PRIOR YEAR AUDITOR’S RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Note 11.1	<p><b>i) Pending bills</b>                      Note 11.1 to the financial statements reflects pending bills amounting to Kshs.946,931,517 as at 30 June, 2021. Although the management has committed to liaise with the line ministry and the national Treasury for adequate budgetary allocation and timely exchequer releases for prompt payments in the subsequent financial year, the project is at risk of incurring significant interests costs and penalties with the continued delay in making payments.</p>		Resolved	Resolved


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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p><b>ii) Budget Control and performance</b></p> <p>The statement of comparative budgets and actual amounts reflects final receipts budget and actual on comparable basis of ksh.5,836,706,886 and Ksh.5,002,642,568 respectively resulting in underfunding of Ksh.834,064,318 or 14% of the budget. The project expenditure was limited to the amount realised</p>	<p>It is true there was underfunding of Ksh.834,064,318 or 14% of the budget reduction during the financial year</p>	<p>Not Resolved</p>	<p>Not Resolved</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

  
 Eng. Kungu Ndungu  
 Director General  
 \_\_\_\_\_  
 30 AUG 2022  
 Date

  
 Eng. Charles Obuon  
 Director Development  
 \_\_\_\_\_  
 30 AUG 2022  
 Date

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**14. ANNEXES**  
**ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

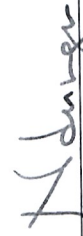
	Final Budget	Actual on Comparable Basis	Budget Utilisation Variance	% of Utilisation Variance to Final Budget	Comments on Variance
	a	b	c=a-b	d=b/a %	
<b>RECEIPTS DURING THE YEAR/PERIOD</b>					
Government of Kenya	65,000,000	132,973,110	(67,973,110)	205%	Budget reduction
External financing	2,770,000,000	1,957,005,302	812,994,698	71%	
<b>Total receipts</b>	<b>2,835,000,000</b>	<b>2,089,978,412</b>	<b>745,021,588</b>	<b>74%</b>	
<b>PAYMENTS DURING THE YEAR/PERIOD</b>					
Purchase of Goods & Services		33,049,633			
Acquisition of Non Financial Assets	2,835,000,000	2,056,928,779	745,582,088	74%	
<b>Total payments</b>	<b>2,835,000,000</b>	<b>2,089,978,413</b>	<b>745,582,088</b>	<b>74%</b>	

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**ANNEX 2: RECONCILIATION OF INTER-ENTITY TRANSFERS**

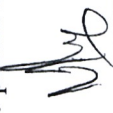
<b>MULTINATIONAL UGANDA - KENYA: KAPCHORWA - SUAM - KITALE &amp; ELDORET TOWN BYPASS ROADS PROJECT</b>			
<b>BREAK DOWN OF TRANSFERS FROM THE MINISTRY OF TRANSPORT, INFRASTRUCTURE, HOUSING, URBAN DEVELOPMENT AND PUBLIC WORKS</b>			
<b>Government Counterpart Funding</b>	<b>Bank Statement Date</b>	<b>Amount (KShs)</b>	<b>FY</b>
Counterpart funds Quarter 1	23.09.2021	37,040,582	2021/22
Counterpart funds Quarter 2	23.09.2021	82,098,784	2021/22
Counterpart funds Quarter 3	18.03.2022	4,871,692	2021/22
Counterpart funds Quarter 4	03.05.2022	-	2021/22
<b>Total</b>		<b>124,011,058</b>	

The above amounts have been communicated to and reconciled with the parent Ministry/ state department

  
**Eng. Kungu Ndungu**  
**Director General**

30 AUG 2022

Date

  
**CPA Chanje Kera**  
**Deputy Director (F&A)**  
**ICPAK Member No. 8279**

30 AUG 2022

Date

**Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report and Financial Statements for the financial year ended June 30, 2022**

ANNEX 2A - PENDING BILLS							Outstanding Balance
IPC/Fee Note No	Supplier of Goods or Services	Project	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance	Outstanding Balance
A Works Construction							2020/21
13	Eldoret Bypass	China Wu Yi Co. Ltd.	266,382,155	18-Mar-21	232,664,543	13,717,612.08	
14	Eldoret Bypass	China Wu Yi Co. Ltd.	305,018,669	07-Jul-21	237,478,024	47,540,644.90	
15	Eldoret Bypass	China Wu Yi Co. Ltd.	304,235,474	01-Oct-21	257,412,460	46,823,014.13	
16	Eldoret Bypass	China Wu Yi Co. Ltd.	330,272,032	07-Dec-21	278,994,264	51,277,768.45	
18	Eldoret Bypass	China Wu Yi Co. Ltd.	298,764,554	15-Mar-22	252,536,368	46,228,186.08	
20	Eldoret Bypass	China Wu Yi Co. Ltd.	378,047,814	01-Jun-22	319,461,860	58,585,953.70	
21	Eldoret Bypass	China Wu Yi Co. Ltd.	275,790,854	09-Jun-22	232,366,609	43,424,244.76	
11	Kitale-Suam	China State Construction	325,360,486	15-Nov-21	271,999,446	53,361,039.85	
12	Kitale-Suam	China State Construction	316,130,754	23-Mar-22	236,530,565	79,600,188.51	
13	Kitale-Suam	China State Construction	354,391,514	02-Jun-22	299,807,748	54,583,766.24	
			<b>3,154,394,306</b>		<b>2,659,251,887</b>	<b>495,142,419</b>	<b>31,864,615</b>
B							
34	Eldoret Bypass	Abdul Mullick Associates	6,377,730.16	18-May-21	4,176,873	2,200,857	
35	Eldoret Bypass	Abdul Mullick Associates	6,377,730.16	18-May-21	5,223,295	1,154,435	
36	Eldoret Bypass	Abdul Mullick Associates	6,377,730.16	18-May-21	3,547,736	2,829,974	
37	Eldoret Bypass	Abdul Mullick Associates	6,398,600	18-May-21	4,985,841	1,412,759	
38	Eldoret Bypass	Abdul Mullick Associates	6,827,702	18-May-21	4,272,198	2,555,505	
39	Eldoret Bypass	Abdul Mullick Associates	6,691,426	18-May-21	5,389,558	1,301,869	
4	Eldoret Bypass	Apec Consortium	18,360,053	02-Oct-20	-	18,360,053	
343	Eldoret Bypass	Government Printers	27,840			27,840	
37	Kitale-Suam	Sari Consulting	7,422,376	25-May-21	6,718,531	703,845	
38	Kitale-Suam	Sari Consulting	7,920,134	25-May-21	7,169,088	751,046	
39	Kitale-Suam	Sari Consulting	7,962,054	25-May-21	7,225,998	736,056	
40	Kitale-Suam	Sari Consulting	8,071,600	18/06/2021	7,306,191	765,409	
41	Kitale-Suam	Sari Consulting	8,366,631	21/07/2021	7,212,613	1,154,018	
42	Kitale-Suam	Sari Consulting	8,684,527	10/09/2021	7,486,671	1,197,857	
43	Kitale-Suam	Sari Consulting	9,361,186	01/10/2021	8,085,844	1,275,342	
44	Kitale-Suam	Sari Consulting	8,845,903	19/10/2021	7,625,779	1,220,125	
45	Kitale-Suam	Sari Consulting	8,688,349	23/12/2021	7,489,956	1,198,393	
46	Kitale-Suam	Sari Consulting	6,462,615		5,571,220	891,395	
47	Kitale-Suam	Sari Consulting	2,190,806		1,888,625	302,180	
48	Kitale-Suam	Sari Consulting	2,131,813		1,837,770	294,043	
49	Kitale-Suam	Sari Consulting	1,289,372		1,111,528	177,844	
50	Kitale-Suam	Sari Consulting	2,653,719		2,287,689	366,030	
03R	Kitale-Suam	Smec International (Pty)	240,245		-	240,245	
4	Kitale-Suam	Smec International (Pty)	240,245		-	240,245	
03R	Kitale-Suam	Smec International (Pty)	360,367		-	360,367	
			<b>148,330,755</b>	<b>709,856</b>	<b>106,613,023</b>	<b>41,717,732</b>	<b>85,023,664</b>
			<b>3,302,725,061</b>		<b>2,765,864,910</b>	<b>536,860,151</b>	<b>883,093,393</b>
							<b>995,981,672</b>
C Land Compensation Total							

*Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report and Financial Statements for the financial year ended June 30, 2022*

**ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER**

Asset class	Opening Cost	Purchases/Additions in the Year	Disposals in the Year	Closing Cost
	(KShs) 2021/22 (a)	(KShs) 2021/22 (b)	(KShs) 2021/22 (c)	(KShs) 2021/22 (d)= (a)+ (b)-(c)
Road Asset	6,148,016,594	2,056,928,779	-	8,204,384,873
Land Acquisition	3,760,752,991	-	-	3,760,752,991
<b>Total</b>	<b>9,908,769,585</b>	<b>2,056,928,779</b>	<b>-</b>	<b>11,965,137,864</b>